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April 28, 2004

Mr. William H. Davenport
Chief, Investigations and Hearings Division
Enforcement Bureau
Federal Communications Commission
445 Twelfth Street, SW, Room 3-B433
Washington, DC 20554

RE: *BA/GTE Merger Order*, CC Docket No. 98-184 – Post-Merger Audit Requirements

Dear Mr. Davenport:

Verizon requests that the Commission discontinue requiring Verizon to conduct BA/GTE post-merger audits for all periods beginning on or after January 1, 2005. Most of the merger conditions will have sunset prior to January 1, 2005, and will no longer be subject to audits. Regardless of whether the Commission requires Verizon to conduct additional audits, Verizon will continue to be subject to merger compliance requirements and will report on its compliance on March 15 of each year pursuant to Merger Condition 21. There is, therefore, no reason for the Commission or Verizon to devote resources to any further audits.

Last year, twelve of the BA/GTE merger conditions sunset. These include: (2) Discounted Surrogate Line Sharing Charges; (3) Loop Conditioning Charges and Cost Studies; (7) OSS Assistance to Qualifying CLECs; (8) Collocation, Unbundled Network Elements, and Line Sharing Compliance; (9) Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements; (10) Multi-State Interconnection and Resale Agreements; (13) Offering of UNEs; (14) Alternative Dispute Resolution through Mediation; (15) Access to Cabling in Multi-Unit Properties; (16) Out-of-Territory Competitive Entry; (19) Additional Service Quality Reporting; and (20) NRIC Participation. This year, three more of the BA/GTE Merger Conditions will sunset: (1) Separate Affiliate for Advanced Services; (5) Carrier-to-Carrier Performance Plan (Including Performance Measurements); and (18) Enhanced Lifeline Plans. As of the end of the end of 2004, a total of fifteen of the BA/GTE Merger Conditions will have sunset. Thus, the bulk of the audit work in prior years will no longer apply.

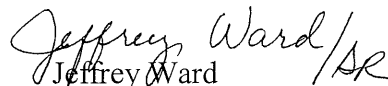
After 2004, only five operative merger conditions will remain in effect.¹ These include: (4) Non-discriminatory Rollout of xDSL Services; (6) Uniform and Enhanced OSS and Advanced Services OSS; (11) Carrier-to-Carrier Promotions: Unbundled Loop Discount; (12) Carrier-to-Carrier Promotions: Resale Discount; and (17) InterLATA Services Pricing. None of the three most recent audits has included any findings of noncompliance with respect to any of these merger conditions. There is no reason to believe that additional audits will disclose any failure by Verizon to satisfy these merger conditions while they remain in effect.

Moreover, most of the remaining operative merger conditions are effectively self-policing. For example, for Merger Condition 4, Verizon will continue to file quarterly reports on the rollout of xDSL services. In addition, most of the other remaining operative merger conditions require specific discounts or pricing terms for competitive local exchange carriers, who could be expected to bring to the Commission's attention any failure by Verizon to continue complying with those requirements.

In any event, the merger compliance control structure, as required by Merger Condition 21, will continue to be in place through sunset of the last merger condition. Under the merger compliance control structure, Verizon will file merger compliance reports on March 15 of each year, describing Verizon's compliance with the remaining merger conditions. The merger compliance reports are "prepared in a format substantially similar, in relevant respects, to the format of the independent auditor's section of the audit report" described in Merger Condition 22. *See* Merger Condition 21, ¶ 55c. These reports will allow the Commission and others to confirm Verizon's compliance with the merger conditions, without expending the resources necessary for audits. Verizon expects that merger condition audits for the years 2005 and beyond would cost at least one million dollars, above and beyond the time and resources that would be expended by Verizon and Commission personnel to support and review the audits. The burdens of continued audits clearly outweigh any possible benefits.

For these reasons, Verizon requests that the Commission permit Verizon to discontinue conducting BA/GTE post-merger audits for all periods beginning on or after January 1, 2005.

Sincerely,


Jeffrey Ward

cc: Hugh Boyle
Pete Young

¹ Five other merger conditions will remain in effect, but they relate only to compliance with and enforcement of the merger conditions: (21) Compliance Program; (22) Independent Auditor; (23) Enforcement; (24) Sunset; and (25) Effect of Conditions. These conditions will sunset when the last merger condition sunsets.